

Surface coal mining companies are required to reclaim and return mined land to a productive capacity that is equal to or better than before mining occurred.

The reclamation operation takes place concurrently with the mining operation. The first step taken is to remove the top soil from an area to be mined, stockpile it and stabilize it with temporary vegetation to prevent erosion.

The initial removal of overburden (the remaining material covering the coal) is called a box cut and the cavity that is left when the coal is removed will receive the overburden from the second cut. In most cases, a dragline is used to lift overburden from a new section and deposit it in the section that has just been mined. To loosen the overburden for the dragline, it is blasted. The coal is fractured in the same way and then removed by large loaders, deposited in coal haulers and transported to the mine storage and loading facility.

Once the dragline has deposited overburden over the mined-out cavity, bulldozers smooth it out and contour it to blend with the surrounding landscape. This process is much like that employed in construction projects. After that, reclamation becomes very similar to any farming operation. The soil is scarified to guard against erosion, top soil is replaced and the area is planted with seed mixtures that are prescribed by the regulatory agency. In some cases, ponderosa pine and other woody plants are part of the approved reclamation plan. Companies may apply a fiber mulch to further protect against erosion and while fertilizer may be used during the early growing seasons, irrigation has not been necessary.

Before any company is permitted to mine, it is required to post a bond sufficient to cover the cost of reclamation if an operator fails with his reclamation efforts. That bond is not released until successful reclamation is verified. Based on precipitation rates in the West, the law dictates that, in no case, can the bond be released sooner than ten years from the date of seeding.

### Royalties

Unlike a tax paid to government on the production of coal or its realized profits, royalties are a monetary payment to the owner of the coal as agreed upon in the terms of pre-mining leases. State and federal government still are major beneficiaries of these payments, however, because a large percentage of the mineral right ownership of coal in Montana has been retained by the federal government, with payments from the coal producing school sections going to the state. In addition, the 1976 federal leasing law mandates that 50 percent of the royalties collected from development of federal leases be returned to the state. Other coal lessors include Indian tribes and private (or fee) owners.

### Best Available Figures for Cumulative Royalty Payments from Montana Surface Mining Operations Through December, 2008

Company	Federal	State	Indian	Private	Total
Signal Peak				8,000	8,000
Decker Coal	361,404,119	\$63,365,131	111,036,499	535,805,749	
Spring Creek	195,107,195	24,350,954	15,694,782	235,529,331	
Western Energy	208,248,857	5,014,932	143,410,976	356,674,765	
Westmoreland Resources	4,617,797	\$90,390,765	657,883	95,666,445	
Westmoreland Savage	4,085,471	\$768,845,642	\$97,348,814	\$90,390,765	\$1,045,000
					5,130,471
					\$27,853,140
					\$1,228,438,361

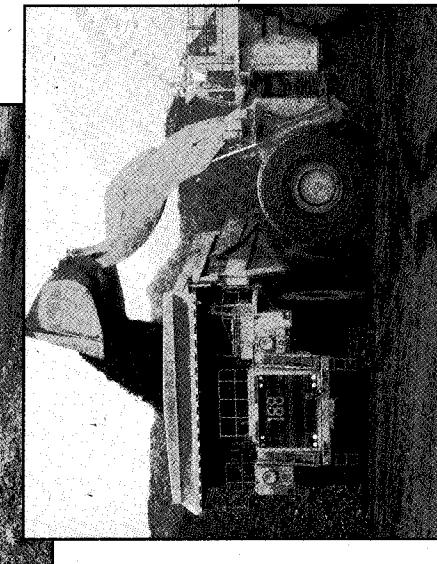
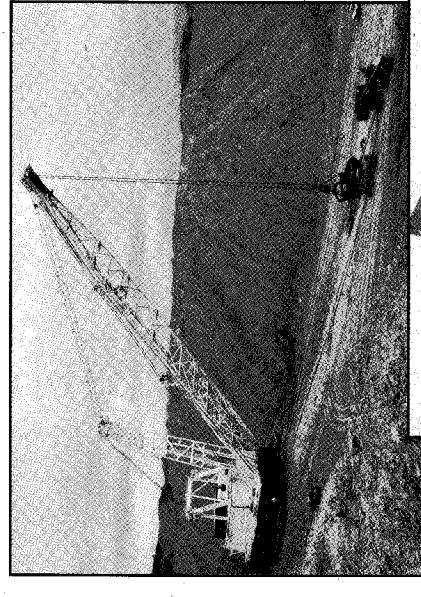
Source: Individual Companies  
Montana's surface mining industry furnishes some of the highest-paying and most-sought-after jobs in the state.

### Production, Employment and Payroll

Company	Coal Production (Million tons)	Number of Employees	Estimated Payroll
Signal Peak Energy	.19	49	4,011,000
Decker Coal Co.	6.99	160	8,700,000
Spring Creek Coal Co.	17.95	218	22,067,000
Western Energy Co.	13.05	400	27,427,000
Westmoreland Resources	6.39	170	9,300,000
Westmoreland Savage	.36	11	788,000
			\$72,293,000
			1,008

Source: Individual Companies

2009



**Every ton of Montana coal  
replaces 3 1/2 barrels of  
foreign oil.**

### Coal Production

Year      Million Tons

1999	41.1
2000	38.3
2001	39.2
2002	37.3
2003	37.0
2004	40.1
2005	40.6
2006	41.8
2007	43.2
2008	44.9

Source: Department of Labor & Industry, Safety Bureau

### PM<sup>10</sup> Emissions (Respirable-Size Particulates)

Comparison Between

Colstrip Units 1-4 and Montana Wildfire

Wildfire

Wildfire puts out over 1,000 pounds of PM<sup>10</sup> per acre. In the year 2000, 965,000 acres burned in Montana resulting in 482,000 tons of PM<sup>10</sup> in the air. Colstrip Units 1-4 emit 255 tons/year of PM<sup>10</sup>. PM<sup>10</sup> emitted by wildfires in Montana in the year 2000 is equal to 1,892 years of Colstrip Units 1-4.

Sources: North Elkhorns Environmental Assessment, Helena National Forest, & Montana Department of Environmental Quality

This brochure was prepared by the staff of the Montana Coal Council with the assistance of informational sources quoted. The Montana Coal Council is a trade association whose members are involved in the production of coal in Montana. We support realistic state and national environmental and social standards. The council also recognizes the need for a federal energy policy that will lead to the development of domestic energy sources and reducing this nation's dependence on foreign oil.

### Montana Coal Council

2301 Colonial Drive

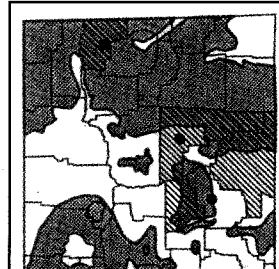
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1. **The Severance Tax** - Prior to 1975, Montana's coal severance tax was assessed on a cents-per-ton basis. In 1975 the Legislature enacted the highest severance tax

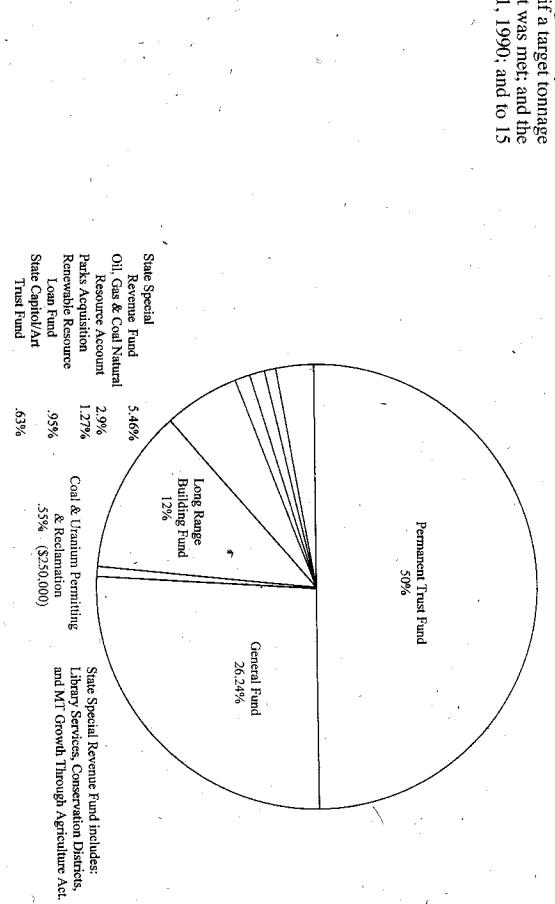
age was tied to the heating quality of the coal - 30 percent for subbituminous and 20 percent for lignite. However, the 1987 Legislature enacted a law to gradually reduce the taxes on coal in 5 percent increments over the next few years if a target tonnage of 32.2 million tons was produced in Fiscal Year 1988. That target was met; and the tax dropped to 25 percent on July 1, 1988; to 20 percent on July 1, 1990; and to 15 percent on July 1, 1991.

13-35-100, MICA  
effective 7-1-07

Government

acite coal deposits f

**FY                      Severance Tax Collections\***



Estimated Reserves	88.0
Government Properties Limited Partnership	20.0
y Energy Corp.	8.2
DL Energy Inc.	4.4
Coal, Inc.	2.9
North American Coal Corp.	2.4
Energy Co.	2.3
Resource Partners LP	2.1
mas Land Corp. (Norfolk Southern)	1.7
Energy Corp.	1.7
tion Coal Corp.	1.6
to Energy America	1.4
ant Mining (formerly TXU & Alcoa)	1.3
Coal Corp. (formerly Peabody mines)	1.3
International Coal Group	1.0
International Mining Association	/million short tons)

**Bituminous** - Comes from coal, lignite or peat, having a large heating value of about 10,000 Btu; carbon content of less than 15%. Used primarily for generating electricity. Anthracite coal deposits are primarily in Pennsylvania.

**Btu** - British thermal unit. A measured temperature of one pound of water one degree Fahrenheit.

**Bituminous** - Called soft coal, most 10,500-15,500 Btu; carbon content less than 20%. Mined chiefly in Appalachians, scattered across the country and total resources, according to the U.S. Geological Survey, are estimated at 1,000,000,000,000 tons.

**Coal Resources** - Total coal deposits be mined or recovered. The U.S. main resources, according to the U.S. Geological Survey, are estimated at 1,000,000,000,000 tons.

**Coal Seam** - A bed or stratum of coal.

**Coal Washing** - The process of separating the mineral impurities from the coal by allowing them to settle in a liquid.

**Demonstrated Reserves** - Coal deposits on an economic basis with existing technology. Administration estimates that there are

(million short tons)		
State	2007 Located	Operating Tonnage Company
WY	91.5	Pebble Energy Subsidiary
WY	86.2	Rio Turco Coal, Inc.
WY	40.5	Diamond Ranch Resources

1997/98	35,045,000	40.3	Rio Tinto Energy America
1998/99	36,768,000	38.1	Rio Tinto Energy America
1999/00	35,470,000	34.5	Rio Tinto Energy America
2000/01	32,357,000	31.2	Peabody Energy Subsidiary
2001/02	31,614,000	26.6	Rio Tinto Energy America
2002/03	29,424,000	25.3	Foundation Coal West, Inc.
2003/04	31,545,000	25.0	Buckskin Mining (Kiewit)
2004/05	37,655,000	17.1	Foundation Coal West, Inc.
2005/06	35,822,000	17.1	Peabody Energy Subsidiary
2006/07	40,559,000	15.7	Rio Tinto Energy America
2007/08	45,332,000	15.0	Rio Tinto Properties Co.
	<u>\$1,674,556,000</u>	12.6	Western Energy Co.
		12.4	Luminant Mining
		10.2	Arch Coal, Inc.

AQUATIC MOLLUSK ASSESSMENT

Know?

- |  |   |   |
|--|---|---|
| <p><b>tion Trust</b></p> <p><b>Trust/Cultural &amp; projects</b></p> <p><b>ocean Debt Service</b></p> <p><b>um Permitting &amp; Rec.</b></p> <p><b>Commission</b></p> <p><b>Districts</b></p> <p><b>through Agriculture</b></p> <p><b>ment</b></p> <p><b>Planning</b></p> <p><b>building Program Debt Service</b></p> <p><b>ess. Develop.</b></p> <p><b>construction Trust</b></p> <p><b>&amp; Parks</b></p> <p><b>Aid to Schools</b></p> <p><b>historic Sites</b></p> <p><b>Fund</b></p> <p><b>rgy Research</b></p> <p><b>highway Improvement</b></p> <p><b>Sites &amp; Areas</b></p> | <p>24,506,002</p> <p>4,124,718</p> <p>4,277,767</p> <p>250,000</p> <p>4,801,351</p> <p>1,916,714</p> <p>3,207,594</p> <p>90,616,117 (ended in FY 04/05)</p> <p>4,275,441 (ended in FY 04/05)</p> <p>6,119,376 (ended in FY 04/05)</p> <p>933,565 (ended in FY 98/99)</p> <p>52,731,221 (ended in FY 94/95)</p> <p>1,482,985 (ended in FY 94/95)</p> <p>102,577,928 (ended in FY 94/95)</p> <p>550,165 (ended in FY 91/92)</p> <p>75,318,623 (ended in FY 99/00)</p> <p>18,354,255 (ended in FY 88/89)</p> <p>15,117,192 (ended in FY 79/80)</p> <p>4,737,441 (ended in FY 79/80)</p> <p>1,647,532 (ended in FY 79/80)</p> | <p>ton, whichever is less, is paid to a fund to pay for black lung disease victims, even though this disease is primarily suffered by underground miners.</p> <p><b>6. Property Taxes</b> - Property taxes paid in 2008 by the coal mines to counties where the coal mines are located. Does not include gross proceeds taxes listed above.</p>   |
| <p><b>Big Horn Co.</b></p> <p>Decker Coal Co.</p> <p>Spring Creek Coal Co.</p> <p>Westmoreland Resources</p>   | <p>354,685</p> <p>846,282</p> <p>490,692</p>  | <p><b>Musselshell Co.</b></p> <p>Signal Peak Energy</p> <p>137,428</p>  |
| <p><b>Richland Co.</b></p> <p>Westmoreland Savage</p>  | <p>24,668</p>   |   |
| <p><b>Rosebud Co.</b></p> <p>Western Energy Co.</p>  | <p>609,198</p>  | <p><b>Slurry</b></p> <p>to remove sediment from water or limit sediment in water</p>  |
| <p>Source: County treasurers</p>   | <p>\$2,462,953</p>  | <ul style="list-style-type: none"> <li>• Coal provides about one half of the total amount of electricity used in the United States each day.</li> <li>• Regulated emissions from coal-based electricity generation have decreased overall by nearly 40% since the 1970s while coal use has tripled, according to government statistics.</li> <li>• Coal is the most affordable source of power fuel per million Btu, averaging less than one-quarter the price of petroleum and natural gas.</li> <li>• The coal industry routinely reclaims thousands of acres of mined lands each year, returning them to productive use in the ecosystem.</li> <li>• Coal is actually "buried sunshine," because it originated from prehistoric plants that lived some 300 million years ago.</li> <li>• Coal accounts for about 94% of America's fossil energy reserves and is larger than either world petroleum or natural gas reserves, when measured in terms of oil equivalency.</li> <li>• The largest coal producing state is Wyoming employing roughly 6,500 workers in the coal industry.</li> </ul> |

\*The above figures do not include coal severance taxes paid since 1988 by Westmoreland Resources Inc. on coal owned by the Crow Tribe. WRI pays coal severance taxes and gross

Resources Inc. on coal owned by the Crow Tribe. WRI pays coal severance taxes and gross proceeds taxes directly to the Crow Tribe and not to the state of Montana or the county.

**\*\*State Special Revenue Fund includes Library Services, Generation Districts and MIT**